



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
RUSSELL COUNTY CLERK**

Calendar Year 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE RUSSELL COUNTY CLERK

Calendar Year 2001

The Auditor of Public Accounts has completed the Russell County Clerk's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Russell County Clerk paid the Russell County Fiscal Court \$100,540 in excess fees for calendar year 2001. This is an increase in excess fees of \$11,734 from the prior year. Revenues increased by \$137,113 from the prior year and disbursements increased by \$125,379.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Charles M. Smith, Russell County Judge/Executive

Honorable Brigitte Popplewell, Russell County Clerk

Members of the Russell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Russell County Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Charles M. Smith, Russell County Judge/Executive
Honorable Brigitte Popplewell, Russell County Clerk
Members of the Russell County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 9, 2002

RUSSELL COUNTY
BRIGETTE POPPLEWELL, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

State Grants	\$	4,305
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State Fees For Services		8,171
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Fiscal Court		5,594
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	450,425
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Usage Tax		857,445
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Tangible Personal Property Tax		1,153,487
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Licenses-

Marriage		5,830
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Occupational		50
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Deed Transfer Tax		35,705
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Delinquent Tax		85,649
		2,588,591

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	20,377
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Real Estate Mortgages		34,748
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Chattel Mortgages and Financing Statements		52,230
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Powers of Attorney		1,491
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All Other Recordings		20,001
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Charges for Other Services-

Candidate Filing Fees		1,620
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Copywork		10,629
		141,096

Other:

Miscellaneous		9,050
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Interest Earned		3,136
		3,136

Total Receipts	\$	2,759,943
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RUSSELL COUNTY
 BRIGETTE POPPLEWELL, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2001
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	344,112	
Usage Tax		831,596	
Tangible Personal Property Tax		399,805	

Licenses, Taxes, and Fees-

Delinquent Tax		11,797	
Legal Process Tax		18,303	
Miscellaneous		22	
		<hr/>	\$ 1,605,635

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	74,441	
Delinquent Tax		6,595	
Deed Transfer Tax		33,282	
		<hr/>	114,318

Payments to Other Districts:

Tangible Personal Property Tax	\$	633,101	
Delinquent Tax		44,898	
		<hr/>	677,999

Payments to Sheriff 1,720

Payments to County Attorney 13,771

Operating Disbursements:

Personnel Services-

Deputies' Salaries 105,706

Employee Benefits-

Employer's Paid Health Insurance 22,060

Contracted Services-

Indexing 4,305

Advertising 107

Printing and Binding 1,757

RUSSELL COUNTY
 BRIGETTE POPPLEWELL, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2001
 (Continued)

Disbursements: (Continued)

Operating Disbursements: (Continued)

Materials and Supplies-		
Office Supplies	\$	22,321
Maintenance		4,000
Other Charges-		
Conventions and Travel		4,609
Dues		450
Postage		3,156
Refunds		7,764
Miscellaneous		<u>2,630</u>
Total Disbursements		<u>\$ 2,592,308</u>
Net Receipts		\$ 167,635
Less:		
Statutory Maximum	\$	61,306
County Clerk's Training Incentive		<u>2,189</u>
		<u>63,495</u>
Excess Fees		\$ 104,140
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for Calendar Year 2000		\$ 100,540
Payments to County Treasurer-		
December 10, 2001	\$	70,000
February 11, 2002		30,000
April 9, 2002		<u>540</u>
		<u>100,540</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grants

- A. For the period of July 1, 2000 to June 30, 2001, the County Clerk received a grant from the Kentucky Department for Library and Archives for indexing in the amount of \$4,200. As of December 31, 2000, the unexpended grant balance was \$4. In calendar year 2001, grant funds of \$2,100 were received and \$1 of interest was earned. Funds totaling \$2,105 were expended during calendar year 2001. The unexpended grant balance was \$0 as of December 31, 2001.
- B. For the period of August 1, 2001 to June 28, 2002, the County Clerk received a grant from the Kentucky Department for Library and Archives for indexing in the amount of \$6,600. During calendar year 2001, grant funds of \$4,400 were received and \$5 of interest was earned. Funds totaling \$2,200 were expended during calendar year 2001. The unexpended grant balance was \$2,205 as of December 31, 2001.

Note 5. Deferred Compensation

On May 9, 1994 the Russell County Fiscal Court voted to allow interested employees to participate in deferred compensation plans administered by The National Association of Counties. These deferred compensation plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation of employees in the deferred compensation plans is voluntary.

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 6. Leases

- A. The office of the County Clerk is committed to a lease agreement with Better Quality Systems for a copier. The agreement requires a monthly payment of \$275 for 36 months to be completed in September 2002. The total balance due under this agreement is \$2,475 as of December 31, 2001.
- B. The office of the County Clerk is committed to a lease payment with Xerox for a copier. The agreement requires a monthly payment of \$70 for 36 months to be completed in March 2003. The total balance due under this agreement is \$1,060 as of December 31, 2001.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the Russell County Clerk for the year ended December 31, 2001, and have issued our report thereon dated April 9, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Russell County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Russell County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 9, 2002

